

State of Alaska FY2008 Governor's Operating Budget

Department of Natural Resources Agricultural Development Component Budget Summary

Component: Agricultural Development

Contribution to Department's Mission

The Division of Agriculture, and Board of Agriculture and Conservation work to promote and encourage development of an agriculture industry in the state.

Core Services

The Division of Agriculture, in cooperation with industry representatives, the Commissioner of the Department of Natural Resources, and the Board of Agriculture and Conservation administers agricultural policy for Alaska. The division works to create opportunities by providing consistency and stability in state agricultural programs. The agricultural assets owned by the division are managed to promote economically viable development, maximize return to the state, and encourage privatization. The Director of the Division of Agriculture sets policy and manages the following programs:

- **Agricultural Development**, set Agriculture Policy and Administration. Provide Agricultural land to the industry through land disposals, leases, permits, and contracts. Provide Marketing Inspections services for Alaska Grown Agriculture Products.
- **North Latitude Plant Materials Center**, provide basic support for Alaska Agriculture Industry and other groups through testing, production and development of seed and plant materials at our PMC. Activities are further reported in the PMC Component.
- **Agricultural Revolving Loan Fund**, providing agricultural loans and managing ARLF assets. Activities are further reported in the ARLF Component.

Agriculture Land :

- Sell and lease agricultural and grazing land and conducts field inspection for contract compliance with farm development and farm conservation plans.
- Monitor approximately 90 land sale contracts for compliance with the terms and conditions.
- Monitor approximately 380 patented farms to ensure they comply with State regulations.
- Monitor approximately 30 grazing leases and permits on roughly 180,000 acres for compliance with terms and conditions of the lease and permits.
- Develop new statewide grazing policy and regulations for public lands classified for grazing purposes.
- Identify and initiate land disposal projects.
- Respond to written and verbal requests for agricultural land disposal and leasing information.
- Work with contract, and patent holders to update farm conservation plans.
- Work with Soil and Water Districts (SWCD) and NRCS to prepare federal and state conservation plans.
- Review and recommend updates in regulations for agricultural sales, pest control, branding, and grazing fees.

Alaska Grown/Marketing:

- Maintain develop and identify markets for Alaska Grown products.
- Develop new markets for farm products, both in state and for export.
- Maintain industry liaison with other government agencies to influence issues related to agricultural development in Alaska.
- Maintain cooperative services with USDA conservation and lending agencies serving Alaska producers.
- Provide marketing, support and production expertise to Alaska growers to increase their ability to market Alaska grown products, and maintain viable farms.
- Conduct feasibility studies.
- Work with USDA to increase in Federal funding of Environmental Quality Incentives Program (EQIP) and Wildlife Habitat Incentives Program (WHIP) conservation projects, and farm bill implementation through our participation in the National Association of State Departments of Agriculture (NASDA) and the Western Association of State Departments of Agriculture (WASDA).

Inspection :

- Inspection programs provide quality assurance of production.
- The entry of potentially harmful plants and products is regulated and controlled through inspection programs.
- Maintain USDA cooperative agreements in produce inspection, plant material, agricultural statistics, Federal Seed Act, shell eggs and phytosanitary certification for exports.
- Maintain federal licensed staff to comply with state and federal regulations. Inspection and grading services provide quality control for agricultural production.
- Conduct produce inspections for USDA grade and buyer specifications; provide field inspections for seed certification and disease control; issue phytosanitary certificates on export products from the agriculture industry; produce information and training on packaging and quality control.

End Results	Strategies to Achieve Results
<p>A: Development and expansion of the agriculture industry in Alaska.</p> <p><u>Target #1:</u> Expand gross farm product sales by 1%.</p> <p><u>Measure #1:</u> Percentage increase in value of agriculture products sold.</p>	<p>A1: Land disposals to increase the agriculture land base.</p> <p><u>Target #1:</u> Sell a minimum of 900 acres of agriculture land annually.</p> <p><u>Measure #1:</u> Number of acres sold.</p> <p>A2: Conduct plant industry regulatory inspection and certification activities in the following areas: Fresh fruit & vegetable, international phytosanitary, elk farm, shell egg and brands.</p> <p><u>Target #1:</u> Conduct ~ 600 inspections requested by industry to meet statutory, federal and international contract requirements.</p> <p><u>Measure #1:</u> Number of federal inspections completed.</p> <p><u>Target #2:</u> Conduct 100% of inspection services requested to meet statutory and state industry purchase contract requirements.</p> <p><u>Measure #2:</u> % of state inspection requests completed.</p> <p>A3: Marketing assistance to agriculture industry.</p> <p><u>Target #1:</u> Increase producer and retail awareness in Alaska Grown programs by accomplish 150 marketing activities.</p> <p><u>Measure #1:</u> Number of completed marketing actions and activities.</p>

Major Activities to Advance Strategies	
<ul style="list-style-type: none"> • Help implement National Farm Bill through participation in NASDA and WASDA • Farm Bill priorities for Alaska are specialty crop, equip, Wildlife Habitat Improvement project and dairy support. • Set policy and manage the agricultural development program, the Northern Latitude Plant Materials Center, and the Agricultural Revolving Loan Fund. • Provide administrative support to the Board of Agriculture and Conservation. • Prepare land sales and work with the Board of 	<ul style="list-style-type: none"> • Maintain State Plant Health Programs to deliver pest exclusion and monitoring programs to support trade. • Issue phytosanitary certificates for export products. • Provide for organic product certification. • Continue Cooperative Marketing Program • Provide marketing assistance to farmers through information transfer. • Manage Alaska Grown program. • Assist farmer markets with promotional efforts. • Assist seed growers with market development. • Encourage use of Alaska Grown products by state and

Major Activities to Advance Strategies

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| <ul style="list-style-type: none"> • Agriculture and Conservation and Soil and Water Districts to accomplish land disposals. • Adjudicate lease and permit applications. • Develop new statewide grazing policy and possibly new regulations. • Provide inspections for elk farming to meet statutory requirements. • Conduct produce inspections for USDA grade and buyer specifications. • Cooperate with USDA to provide shell egg surveillance. • Provide meat grading services as requested. | <ul style="list-style-type: none"> • federal agencies. • Monitor compliance with local purchase practice, statutes and regulations. • Train staff in organic program management. |
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FY2008 Resources Allocated to Achieve Results

FY2008 Component Budget: \$2,094,300

Personnel:

Full time	14
Part time	0
Total	14

Performance Measure Detail

A: Result - Development and expansion of the agriculture industry in Alaska.

Target #1: Expand gross farm product sales by 1%.

Measure #1: Percentage increase in value of agriculture products sold.

% Change and Monetary Value of Agriculture Products Sold In Million dollars

Year	Percent	YTD Total
2001	0	\$26.5
2002	0.87%	\$30.2
2003	0.98%	\$30.7
2004	-1.0%	\$30.3
2005	0.97%	\$31.2
2006	0.98%	\$31.9

Reported on an annual basis from Alaska Agricultural Statistics.

Analysis of results and challenges: The data comes from surveys conducted throughout the year by the USDA, National Agricultural Statistical Service. The national averages have struggled over the last five years to show any net increase. Because Alaska agriculture is still in a development phase we have shown small annual increases. Poor weather conditions statewide in 2004 resulted in the minor decrease in the value of products sold.

A new marketing effort, called "Fresher by Far" was launched. This effort is designed to promote Alaska Grown produce and food products to the visitor industry. 20,000 Alaska Grown table tents and 15,000 menu stickers were produced. Staff worked with executives from the Alaska Hotel & Lodging Association (AKHLA), Alaska Restaurant & Beverage Association (ARBA) and Alaska Travel Industry Association (ATIA) to compile a mailing list and we sent samples to a selection of travel and tourism industry members and interested food establishments throughout the State. This partnership has raised the awareness of the availability of Alaska Grown products. The result of this new marketing effort is expected to show in the 2008 statistics.

A1: Strategy - Land disposals to increase the agriculture land base.

Target #1: Sell a minimum of 900 acres of agriculture land annually.

Measure #1: Number of acres sold.

Acres of agriculture land sold

Year	YTD Total
2001	3,302
2002	0
2003	1853
2004	3,114
2005	847
2006	361*

*Reported on an annual basis. In December 2006 we will offer 3 parcels totaling 847 acres of agriculture land through an Over-The-Counter Lottery. The minimum sale price for these parcels is \$454,700.

A2: Strategy - Conduct plant industry regulatory inspection and certification activities in the following areas: Fresh fruit & vegetable, international phytosanitary, elk farm, shell egg and brands.

Target #1: Conduct ~ 600 inspections requested by industry to meet statutory, federal and international contract requirements.

Measure #1: Number of federal inspections completed.

Federal Inspections Completed

Fiscal Year	FPC	FV-300	FV-301	YTD Total
FFY 2002	23	153	580	756
FFY 2003	14	150	652	816
FFY 2004	17	146	359	522
FFY 2005	23	176	396	595
FFY 2006	45	73	500	618

FPC - Federal Phytosanitary Certificates

FV-300 - Commercial produce inspections

FV-301 - Military & institutional produce inspections

Analysis of results and challenges: These three federal inspection program activities are required by government or private purchase contracts for commercial sales activity to occur. The Phytosanitary certificates, FV300 and FV301 are federal programs, the figures are based on the federal fiscal year. These federal programs and inspections cover three areas.

1. FPC Federal Phytosanitary Certification, required by importing countries as a condition to export Alaska plant products, these inspections cover over \$20 million dollars of forest and agricultural products.
2. FV300 federal inspections are requested by Alaska produce businesses as an official evaluation of produce for which a commerce claim has been made. These are legal documents in a court of law and represent approximately \$7.5 million dollars of produce.
3. FV301 federal inspections are required to sell to federal institutions, and some state institutions to determine if contracted quality and specifications are met on specified product. These inspections represent approximately \$15.6 million dollars of products annually.

Target #2: Conduct 100% of inspection services requested to meet statutory and state industry purchase contract requirements.

Measure #2: % of state inspection requests completed.

State Inspections Completed

Fiscal Year	Elk Farm	AK Grown	YTD Total	Target
FY 2002	2	35	37	100%
FY 2003	8	26	34	100%
FY 2004	1	17	18	100%
FY 2005	2	16	18	100%
FY 2006	10	20	30	100%

Elk Farm= Elk Farm inspections & licenses

AK Grown=Alaska Grown User Applications

Analysis of results and challenges: These state inspections monitor compliance with state programs. Elk farm inspections are required by statute AS 03.05.075 and occur at least bi-annually and may fall outside of the state fiscal calendar for reporting purposes. Alaska Grown program inspections fluctuate as new programs and products enter the market place.

A3: Strategy - Marketing assistance to agriculture industry.

Target #1: Increase producer and retail awareness in Alaska Grown programs by accomplish 150 marketing activities.

Measure #1: Number of completed marketing actions and activities.

Analysis of results and challenges: Consumers research indicates that 70% of population is now familiar with Alaska Grown products. This is an increase of 10% in two years. Activities which contributed to this increase in awareness:

86 Food service and retail market consultations

13 Farmers market assistance projects and meetings

07 presentations of Alaska Grown display and products to fairs, conferences and expos.

19 Producer contact visits

Key Component Challenges

Recent events have shown how vulnerable our food supply can be. Potato Late Blight, plant pests, plant diseases, weeds, chemical contamination and E. coli bacteria are some of the events that can devastate a crop, economy and the food we eat. Alaska agriculture has the potential to supply a larger percentage of food, including meat, poultry, milk, vegetable, and related products to the Alaska population. This local fresh food is the basis of a healthier population with increased independence from imported food.

Alaska agriculture is experiencing the effects of a global market place that is introducing marketing efficiencies such as blanket national pricing policies by large retail chains. Additional challenges facing the industry include state policies such as the Women and Infant and Children (WIC) program. The WIC policy requires purchase of least expensive dairy products. Such policies give retailers additional control over what kind of milk can be purchased by the consumer. While local Alaska dairy products are sold to retailers at competitive wholesale prices, retailers price local brands higher with the knowledge that the demand for local product is tremendous. The end result is a gain for the retailer and significant financial losses for local dairies (Matanuska Maid, Northern Lights).

Because of these dynamics the Division of Agriculture is focusing a great deal of attention on developing local and quality consciousness in the Alaska market place. We are doing this through the Alaska Grown program and support of the farmer's markets which are very valuable as education incubators where farmers and the public interact directly. These markets introduce up to 80 different Alaska Grown varieties which are largely unavailable in the retail stores. Eventually many of these products find their way into the local retail outlets. The states ownership and management of the Alaska Grown program has been challenged by a local chapter of the Farm Bureau and the Division continues to defend that program for the use and benefit of the farm community state-wide. The Division is working on and will be

adopting regulations for the entire Alaska Grown program.

The next sizable agriculture parcels are in Fish Creek in the Mat Su Valley. The best access to Fish Creek is through Mat Su Borough property. A challenge in the area of land disposal is a resistance to land sales in this area. Tremendous growth in the Mat Su Valley has provided significant competing pressures on local government to balance planning and zoning for multiple uses including residential and industrial development. There is a huge demand for small to mid sized farm parcels by young farm family entrepreneurs. Fish Creek has the potential of becoming an incubator for the small to mid sized farm that will support young families, feed into the farmer's markets, and also consume the feed produced on the larger existing agriculture projects.

Implementation of the Dairy Industry - Ad Hoc Committee recommendations. The committee was asked to draft a factual, informative, representative transition report on Alaska's dairy industry. The purpose was to evaluate, as objectively as possible the volatile and difficult situation facing Alaska's dairy industry including dairy farmers, creameries, and the dairy support industry including hay, grain, and slaughter. The committee report evaluated the facts and made recommendations for resolution. The report also identified financial needs to accomplish the recommendations.

Another of our challenges is the discussions between the South Central dairy producers and the processor. The Mat Maid processing facility is old and poorly located but upgrading will be politically difficult until producers and the processor come to a consensus.

An ongoing issue has been the Alaska Grown preference law and enforcing the law for state institutions to purchase Alaska Grown produce.

A serious bout of potato late blight occurred in the 2005 crop season which triggered agency responses and coordination with farmers to put a monitoring process in place for the potato late blight. Another minor outbreak in the late 2006 season did not severely affect the potato season due to the early stages of harvest.

Significant Changes in Results to be Delivered in FY2008

Plant Protection Projects (Federal) USDA plant protection issues have resulted in federal projects and funding for Alaska and the Division of Agriculture. All pests on national and regional lists are assessed each year to determine their potential effects in Alaska. The primary focus is on new and exotic invasive, and other serious pests that might be or have been accidentally or deliberately introduced to harm the nation's agriculture environment, natural resources or economic welfare including those pests and diseases affecting trade. This funding will continue into FY08 using existing authorization.

Core Project: (\$150.0).

- Alaska Gypsy Moth Survey: (\$46.0).
- Alaska Pink, Nun & Siberian Moth Survey: (\$7.5).
- Alaska Snail & Slug Survey: (\$4.0).
- Survey of Insects Introduced But Not Established: (\$6.5).
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Increment USDA Agricultural Marketing Service (\$100.5) Federal

A Specialty Crops Block Grant Program has been made available to the State. These funds allow the State to enhance and provide competitiveness of these crops through promotion, marketing, trade, food safety, and product development.

Increment Nutrition and Vegetable Processing Center (\$30.0) SDPR

The Matanuska Susitna Borough is progressing towards the construction of this facility. The facility will increase the usage of value added products. Through a Cooperative Agreement the Division of Agriculture is identifying the product and producing marketing information material.

Major Component Accomplishments in 2006

Completed a Memorandum of Understanding (MOU) with University of Alaska Fairbanks (UAF) to delineate responsibility of each party and create an atmosphere of cooperation. Both agencies, while independent, will work jointly to achieve goals directed toward the expansion and increased efficiency of the agricultural industry in Alaska.

Activated the Plant Materials Advisory Board and held informational meetings to gather information from the industry to

infuse new ideas and refine current practices.

An Alaska agricultural plan draft was developed in cooperation with the University of Alaska Fairbanks, School of Natural Resources and Agriculture Sciences. This plan focused on segments of the industry other than dairy.

Inspection / Alaska Grown Marketing

Through inspections we continue to facilitate timber export. This work has generated sales of Alaska timber to China.

A matching cooperative marketing grant program and farmers market advertising grant program helped producers make Alaska Grown products more visible to the public. The Division awarded 24 matching grants up from 18 in 2006 for private industry to market Alaska Grown products. This program is funding many projects, from nursery projects to organic beef products and establishing farmers markets across Alaska. The CMP program is estimated to influence sales of over \$2.6 million dollars of Alaska Grown products.

A new effort, championed by members of Alaska Legislature, called "Fresher by Far" was launched. This effort is designed to promote Alaska Grown produce and food products to the visitor industry. Alaska Grown table tents and menu stickers have been distributed to a number of interested establishments throughout the State. This partnership has raised the awareness of the availability of Alaska Grown products.

The Division entered into a Memorandum of Understanding with the USDA, AMS to implement the mandatory Country of Origin Labeling (COOL) law for fish and shellfish. COOL requirements were part of the 2002 Farm Bill and became effective in April 2005. Division staff completed the first COOL Retail Surveillance Audit training, becoming the first and only accredited trainer and auditor in Alaska at this time. We implemented Alaska's program by conducting audits in the Anchorage, and Bethel. Establishments were selected at random by USDA, AMS staff. We expect this program to grow and all commodities are set to fall under COOL requirements in 2008. We were reimbursed by USDA, AMS for expenses related to this program.

The feasibility study of a Nutrition Center and Vegetable Processing Center has determined that processing can be done to increase the usage of value added products by Alaska institutions and provide more nutrition simultaneously. The study includes school districts, state entities, and the military. Fresh Fries product and rhubarb juice have been identified as having potential for production for the facility using Alaska produce. The Matanuska Susitna Borough will oversee construction plans being drawn up and utilities installed at the site. The facility is planned to be built in phases as funding is made available.

The Division of Agriculture assisted producers in organic certification by cooperating with USDA to provide funding assistance for certification. In 2007 6 farms, 3 processors, and 1 livestock operation were certified organic. The Division cooperated with the Washington State Department of Agriculture to provide Alaska producers a certification program. Without this certification Alaskans would not be able to sell their products as certified organic. Sales of Alaska produced organic products are estimated at \$1.3 million.

Staff was involved in planning at a number of events including, but not limited to the Tanana Valley State Fair, the Kenai Peninsula Fair and the Alaska State Fair to provide information and educational material to the public about agriculture in Alaska and the Alaska Grown program.

A new Alaska Farmer's Market brochure features 14 Alaska farmers markets provides time and location information for markets across the state. We also produced a consumer guide to Alaska potato varieties and their use. Alaska Grown point of sale materials are being distributed to retail outlets, farmers markets, and individual producers throughout the state. The Division worked with corporate representatives to develop new tools for use at the retail level.

Radio advertising announcing the Alaska Grown and Farmers Market seasons ran in May, June and July.

By identifying and influencing demands for Alaska Grown products, the Division of Agriculture worked to keep the market share of Alaska agriculture products. Worked to ensure quality grading, and to facilitate commercial transactions between producers, processors, wholesalers, and retailers based on sound market information.

Agriculture Land

Sold a total of 1208 acres of Title 38 agricultural property, with a return to the state of approximately \$673,500. Held one ARLF land sale reoffer with a return to the state of \$1,450,000.

Performed 70 agriculture land inspections. One parcel is under a short term haying permit. Farm Conservation Plans were completed and approved.

Statutory and Regulatory Authority

AS 03, AS 03.09, AS 03.10, AS 03.22, AS 38.05, AS 41.10, AS 41.17

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Agricultural Development Component Financial Summary

All dollars shown in thousands

	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	1,002.6	1,129.5	1,284.3
72000 Travel	42.9	50.5	52.5
73000 Services	694.6	731.6	701.2
74000 Commodities	45.5	45.8	49.3
75000 Capital Outlay	0.0	7.0	7.0
77000 Grants, Benefits	50.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	1,835.6	1,964.4	2,094.3
Funding Sources:			
1002 Federal Receipts	326.5	559.1	659.6
1004 General Fund Receipts	708.4	685.5	784.3
1005 General Fund/Program Receipts	0.6	1.5	1.5
1007 Inter-Agency Receipts	54.2	0.0	0.0
1021 Agricultural Loan Fund	156.5	131.5	141.9
1108 Statutory Designated Program Receipts	15.3	0.0	30.0
1153 State Land Disposal Income Fund	366.2	431.4	477.0
1188 Federal Unrestricted Receipts	207.9	155.4	0.0
Funding Totals	1,835.6	1,964.4	2,094.3

Estimated Revenue Collections

Description	Master Revenue Account	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
Unrestricted Revenues				
General Fund Program Receipts	51060	1.7	0.0	0.0
State Land Disposal Income Fund	51434	623.7	87.9	42.3
Unrestricted Total		625.4	87.9	42.3
Restricted Revenues				
Federal Receipts	51010	534.4	714.5	659.6
Interagency Receipts	51015	54.2	0.0	0.0
General Fund Program Receipts	51060	0.6	1.5	1.5
Statutory Designated Program Receipts	51063	15.3	0.0	30.0
State Land Disposal Income Fund	51434	366.2	431.4	477.0
Restricted Total		970.7	1,147.4	1,168.1
Total Estimated Revenues		1,596.1	1,235.3	1,210.4

**Summary of Component Budget Changes
From FY2007 Management Plan to FY2008 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2007 Management Plan	687.0	714.5	562.9	1,964.4
Adjustments which will continue current level of service:				
-Delete One-Time Dairy Industry Price Support Sec56(a) Ch3 FSSLA2005 P135 L12 Lapse date 06/30/09	0.0	-155.4	0.0	-155.4
-FY 08 Health Insurance Increases for Exempt Employees	0.2	0.0	0.0	0.2
-Fund Source Adjustment for Retirement Systems Increases	32.7	-32.7	0.0	0.0
Proposed budget increases:				
-Nutrition and Vegetable Processing Center Cooperative Agreement with MatSu Borough	0.0	0.0	30.0	30.0
-Specialty Crops Block Grant with USDA Agricultural Marketing Services	0.0	100.5	0.0	100.5
-FY 08 Retirement Systems Rate Increases	65.9	32.7	56.0	154.6
FY2008 Governor	785.8	659.6	648.9	2,094.3

**Agricultural Development
Personal Services Information**

Authorized Positions			Personal Services Costs	
	<u>FY2007</u> <u>Management</u> <u>Plan</u>	<u>FY2008</u> <u>Governor</u>		
Full-time	14	14	Annual Salaries	745,609
Part-time	0	0	Premium Pay	1,473
Nonpermanent	0	0	Annual Benefits	586,068
			<i>Less 3.66% Vacancy Factor</i>	(48,850)
			Lump Sum Premium Pay	0
Totals	14	14	Total Personal Services	1,284,300

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Assistant	0	0	0	1	1
Administrative Clerk II	0	0	0	1	1
Administrative Manager II	0	0	0	1	1
Agricultural Inspect I	0	1	0	2	3
Dev Spec I, Option B	0	0	0	1	1
Dev Spec II, Option B	0	0	0	1	1
Division Director	0	0	0	1	1
Natural Resource Mgr II	0	1	0	0	1
Natural Resource Spec II	0	1	0	2	3
Natural Resource Spec III	0	0	0	1	1
Totals	0	3	0	11	14